

September 2, 2005

Natural Gas Department  
Nebraska Public Service Commission  
P. O. Box 94927  
Lincoln, NE 68509-4927

RE: Order Opening Docket NG-0030/PI-98

To the Commission:

This letter concerns the referenced proceeding and our comments regarding the effects on operation of the State Youth Rehabilitation & Training Center at Geneva (Waiver Customer) of the settlement agreement between Kinder Morgan, Inc. and the State Public Advocate regarding the allocation and assessment of upstream transportation charges in Docket NG-0023.1.

1. We feel that the imposition of surcharges to recover added transportation costs adds approximately \$560 per month to the natural gas utility cost at YRTC-Geneva. This added cost alone causes difficulty for the facility that also must adjust previously requested budgets to provide for natural gas commodity rate increases that are greater than estimated.
2. YRTC-Geneva expended funds in the fall of 2002 to install electronic flow metering equipment in order to qualify as a Type 2 (high-volume rate payer) customer. This classification as a Type 2 customer was revoked in 2003 by the State Natural Gas Regulation Act, and the subsequent reclassification as a jurisdictional customer was later waived by LB499. It is my understanding that the telemetering equipment installed by YRTC-Geneva is the same equipment that is currently installed for accounts qualifying as Type 2. Therefore it is our feeling that this equipment should continue to be adequate to serve a Type 2 customer account.
3. If YRTC-Geneva were to eventually be reclassified as a Type 1 customer, and required to choose from only those gas suppliers provided in the Kinder Morgan Choice Program, we feel certain that our natural gas commodity cost would increase substantially. As a Type 2 customer, we are able to choose commodity rates that are blends of fixed, spot market, and "collared" agreements that can be varied monthly. This flexibility has obvious advantages in the current highly volatile natural gas markets when compared with the necessity of choosing only those rates that are set during a 2-week period in April of each year.
4. Because of the advantages to YRTC-Geneva described in item 3. above, it is requested that the Nebraska Public Service Commission make the "grandfathered" waiver status

for that facility, provided in LB499, permanent.

5. It is my understanding that Kinder Morgan requests a surcharge to compensate for costs to them that are related to their need to hold firm transport capacity all year in order to ensure that sufficient capacity is available during days of extremely high demand. We would offer the information that our current gas supply vendor holds that same firm capacity on the KMI main line to provide that YRTC-Geneva is guaranteed firm deliveries of gas. Therefore, it does not seem cost effective for Kinder Morgan to hold firm transport capacity that is duplication of held capacity. As a possible alternative, which was previously offered by KM, we would accept assignment of the firm transport held by Kinder Morgan for YRTC-Geneva and have the gas supply vendor for that facility manage the transport for YRTC-Geneva under a management agreement.

I thank the Commission for the opportunity to offer our comments regarding this proceeding. Please contact me at (402) 471-8354 to discuss these comments.

Sincerely,

Fred Hiatt  
Facilities Engineer

Enclosures: (5) Copies  
(1) 3.5" Disk

Copy: Dennis Summers  
Richard Coil